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## THE MEXICAN OIL SITUATION

*By Frederic R. Kellogg, General Counsel of the Pan American Petroleum and Transport Company*

I do not think that you would have invited me to speak on the Mexican oil situation tonight if the title of my address were to be strictly construed; and I have, therefore, taken the liberty of interpreting it in a somewhat broader sense.

It is true that we shall deal with Mexican problems; but the same considerations which relate to matters which happen to have arisen in Mexico, relate also to every other part of this earth where American men, money and enterprise may penetrate.

It is true that we are to speak of oil; but the questions involved in this discussion are not limited to this particular commodity, but affect all commodities.

It is also true that while we are to look tonight upon a situation which from its nature can only be a temporary one, nevertheless the principles which underlie that situation and upon which it must eventually be resolved, are those which will determine the future of our entire foreign commercial policy.

Before I go into details let me confess that the years which I have spent in constant struggling with these questions, finding them on my desk every morning and not even being able to leave them there at night—of constant scanning of the horizon to see what new spoliatory schemes had been or might be devised by the ingenious and alert minds of the Carranzista faction—of unremitting endeavors to assist in shaping our own course so that such schemes might be counteracted and avoided, have not—I admit it freely—predisposed me to a really neutral view of the subject. Nor have they predisposed me to look with favor upon

glittering generalities about the "brotherhood of man" and the "spiritual unity of all Pan-America," uttered by gentlemen who have had no actual dealings with Carranza officials, and no practical experience in Mexican commercial affairs. Nevertheless, it will be my effort to limit my statements tonight in such a manner that at the conclusion of my remarks you will find that the greater part of which I shall say to you is not merely a matter of opinion or assertion on my part, but is capable of verification from documentary and official records.

The Mexican oil question is this:

*Shall any nation within whose borders American citizens have ventured their capital and their lives in the promotion of industrial enterprises be considered as having the right to take from these Americans the fruits of their enterprises when success has been attained, without any pretense of compensation or any shadow of title other than that which physical force may furnish?*

The question resolves itself into two subdivisions. In the first place, it involves a statement of the circumstances which especially interest the oil companies themselves. In the second place it is my intention to inquire what interest you and all of your American fellow citizens have in the outcome of this controversy.

*First, as to the situation of the oil companies.*

The commercial development of petroleum in Mexico began in 1900. Prior to that time its existence in Mexico had been recognized as a scientific fact; but until that year no successful effort was made to produce it commercially. In 1900 Messrs. Edward L. Doheny and Charles A. Canfield went to Mexico and acquired their first properties. They acquired them by purchase from private owners who had held them from the crown of Spain by continuous chains of titles dating back three hundred years. Messrs. Doheny and Canfield were not then and never since have been "concessionaires." They have never asked nor received anything from the government of Mexico. They never

acquired any public lands, but continued their acquisition of properties from private owners. They were followed by other American oil companies, all of whom likewise pursued the same policy. An English company obtained a concession from the government covering a large extent of territory, but so far as my information extends no oil has ever since been produced from it.

The essential point that I wish to make entirely plain at the present moment is that despite the many reports and statements that have been made by our enemies to the contrary, the truth is *that no American company has ever had an oil concession from Mexico at any time since the beginning of the commercial development of petroleum in that country.*

At all times during the acquisition of these private properties the law of Mexico relative to titles to petroleum was contained in three statutes: First, the law of 1884; second, the law of 1892; and third, the law of 1909.

All of these statutes contained provisions which are substantially identical and are entirely unequivocal, to the effect that petroleum belonged to the owner of the surface of the lands and might be developed and dealt with by the surface owner as he saw fit without governmental license or interference.

In other words, the Republic of Mexico in these enactments issued unmistakable invitations to all the world to come and invest its money, its brains and its labor in this industry, to endeavor to establish it upon a basis of mutual advantage to the enterprises and to the government of Mexico, to acquire lands for that purpose by private treaty and not by public license or denouncements, and in short, to pursue this business as petroleum men have been accustomed to pursue it in the United States.

There has never been the least doubt as to the meaning of any of these statutes—a point which is not only demonstrable by an examination of the language itself, but which was decided at a special session in 1905 of the Academy of Jurisprudence of Mexico, an association resembling the American Bar Association, and containing all the leading jurists

of Mexico among its members, at which with only one dissenting vote it was determined that under the laws of 1884 and 1892 petroleum did not belong to the Mexican nation and could not be taken by the Nation from private owners without full compensation.

In reliance upon these statutes and their uncontradicted interpretation, petroleum development progressed. A country which had been almost a trackless jungle—the conquest of which cannot be appreciated by those who have not seen it—was made into one of the greatest producers of petroleum in the world today. Enormous pipeline systems for the collection of petroleum were established. Great storage and terminal facilities were supplied. Large fleets of tank steamships were built. The sum total of all of these investments aggregates several hundred millions of dollars.

During the presidency of Porfirio Diaz all went well; and it was not until Carranza—the apostle of liberty—became dictator that any change in the spirit of the Mexican legislation concerning petroleum became manifest. As soon, however, as he had been recognized *de facto* by the American government he conveniently forgot his previous pledges to respect the rights and properties of foreigners, and set himself to work, together with Luis Cabrera (who may fairly be called the “*ame damnée*” of the Carranza administration) to concoct detailed methods of accomplishing what Mr. Cabrera had declared it was his intention to accomplish, to wit: to drive Americans out of Mexico and take over their property. In making this statement I am not indulging in generalities, for I have before me the sworn testimony as to this declaration given by a gentleman who was present at a dinner in Vera Cruz at which the declaration was made, and at which not only Cabrera but Carranza were present.

Pursuant to this plan Carranza first took possession of the railroad systems, and since that day no security holder has received a dollar upon his securities, and all net revenues have been confiscated by the Carranza government. The Wells Fargo Express Company's business seemed

thriving. Hence Mr. Carranza took that over. He then found that the tramway systems of the metropolis seemed to be productive and decided that they should be added to his collection. He learned that two of the leading banks, one controlled by English and one by French interests, had large stores of gold coin in their vaults, and, perhaps to show that his theories of liberty were not limited to the acquisition of American properties, compelled these bankers to make what he was pleased to term a "loan," and by force of arms removed all of the specie which he was able to discover. He also took over the English owned railroad running from Vera Cruz to Mexico. As long as it earned money he kept it. Occasionally he turned it back to its owners, resuming, however, its possession as soon as its finances showed improvement.

During all of this time his mind had been working upon the petroleum situation. How to get hold of these properties with the least friction and the greatest effectiveness evidently gave him and the wily Mr. Cabrera some concern. Fortunately for them, as they considered it, the World War created a situation which made it somewhat unlikely that the United States government would be able to give much attention to any aggression against its petroleum companies; and finally, with the aid of some of the leading German representatives in Mexico, they adopted a plan to amend the constitution so as to purport to assert that the Mexican nation, and not the petroleum companies, owned these properties and that the nation could enforce its alleged rights to them without any shadow of compensation to the men who had bought, paid for and developed them.

As compared to this plan, let me again refer to the solemn written pledge given in October, 1915, by Carranza's accredited representative, Mr. Arredondo, to the United States government, in which it was stated that the Carranza government

conscious of its international obligations and of its capability to comply with them, has afforded guarantees to . . . foreigners and shall continue to see that their lives *and property* are respected, *in accordance with the practices established by civilized nations.*

As a method of carrying out his ideas Mr. Carranza convened what he was pleased to term a "Constituent Congress" for the purpose of amending the constitution. This course, in harmony with the greater part of Carranza's proceedings, was wholly unauthorized by the provision of the then existing law; for the Constitution of 1857 contained perfectly reasonable provisions for its own amendment "by the congress of the union by a two-thirds vote of the members present and approved by a majority of the state legislatures."

Not only did Carranza (probably because of his incomplete control over the country) adopt this extra legal method, but with commendable frankness he decreed publicly that in the selection of delegates to this Constituent Congress only such persons should be allowed to vote as were members of his own faction. All other voters were disqualified. Moreover, with respect to certain states, such as Oaxaca, where his authority was not recognized, methods even more arbitrary and illegal were adopted in order to secure the ostensible nomination of delegates who would be subservient to his wishes.

The decisions of this "Constituent Congress" as to petroleum are contained in the well-known Article 27 of the new constitution, which provides that "in the nation is vested direct ownership of . . . petroleum and all hydro-carbons."

Curiously enough the language of the constitution does not go expressly to the extent to which Mr. Carranza in his subsequent decrees sought to carry it. It does not in so many words declare that petroleum under *private* lands belongs to the nation, and in Articles 14 and 126, it provides that no "laws" (the constitution itself being stated to be a law) "shall be given retroactive effect to the prejudice of any person whatsoever."

Article 27 contained a number of other provisions of great importance to the petroleum companies, such as one prohibiting corporations from acquiring, holding and administering rural properties, except in such area as the executive might fix as absolutely necessary for their estab-

ishments. There is also a provision preventing foreigners from acquiring direct ownership of land within 50 kilometers from the seacoast—which includes almost all of the present known petroleum territory.

After the adoption of the constitution nothing was done for a year. Then, between February and August, 1918, a series of executive decrees were issued by Carranza purporting to carry the constitution into effect. In all these decrees he disregarded Articles 14 and 126 and purported to construe the constitution as retroactively affecting all lands acquired for petroleum purposes by foreigners even prior to the date when the constitution took effect.

As illustrative of Carranza's habitual disregard of law, even of the law of his own country, it is interesting to note that these decrees were issued by him *with no power or authority whatsoever to do so*. He had been granted by Congress a limited power to act in matters involving the country's finances; and disregarding this limitation, he treated the congressional authority as a blank check entitling him to make decrees which would completely alter the system of land titles which had long been in force.

The essential provision common to all of these decrees was that those who claimed to be the owners of petroleum lands must file statements of the lands thus claimed by them *and must pay rentals and royalties to the government as a condition of being allowed to continue in their operation*.

Please note particularly that these decrees were not based in any sense at all upon the theory of eminent domain with which we in this country are so familiar, for in every civilized nation the taking over of private property by the government for its own necessities can only be done if just compensation is paid to the owner of the property thus taken. In this case there was not even a pretense of compensation, whether just or otherwise. The situation was precisely the same as though the State of Massachusetts should come to a man who for seventeen years had owned the house in which he lived, and which he originally bought and paid for, and in the title to which there are no defects, and say to him "We have decided to take over the owner-



ship of your property. If you desire to do so, you may still occupy the house, but only upon condition that you pay the government such rental as we may now fix, subject to any increase hereafter that we may see fit to make, and that you comply with such other conditions as we may impose."

Please do not for a moment think that I am exaggerating in giving this illustration; for the course which the Carranza government attempted to adopt toward the owners of these petroleum properties was identical with that which the State of Massachusetts would have followed in the case supposed. And in my opinion it is because of the utter inability of the American mind to conceive such arbitrary and conscienceless action on the part of the government of a nation which claims to be civilized, that the petroleum companies have found such great difficulty in making the justice of their position apparent to the American nation at large. You will, I think, search in vain in the peace time history of civilized nations for any parallel to the wholesale plan of governmental thievery which Carranza attempted to follow out.

If anyone of you had owned the house which the State of Massachusetts in my hypothetical illustration had claimed, what would you have done?

Exactly what we did—fought.

The principal petroleum companies of the United States organized themselves into an association whose one and only purpose was and still is to contest in every practical and decent way the confiscation of their properties; and in making that fight we relied and are still relying solely upon two weapons. These weapons do not consist of machine guns or implements of war. We had no armed force either of our own contriving or of any government to support us. But we stood and are standing today upon the propositions, first, *that we are morally right*, and that the Ten Commandments still possess vigor even when attempted to be disregarded by an alleged government, and, secondly, that the public opinion of the United States, if our citizens once but knew the real facts, would never permit the consummation of such a shame.

We refused to comply with the Carranza decree. We allowed the day upon which Carranza had ordered that we must file our declarations or lose our properties to pass, and told his government that we should not file any such documents. This attitude was something which he had not looked for, and he at once revealed his consciousness of the weakness of his position by issuing a decree at the fifty-ninth minute of the eleventh hour postponing the time within which we were required to obey his commands. Greatly encouraged by this demonstration of our own strength and his recognition of his own weakness, we again refused, and on four successive occasions refused to do so, until finally becoming somewhat alarmed at the prospect of the possibility of a direct conflict with the United States upon this question, Carranza announced that he would turn the whole matter over to the Mexican Congress, which should adopt the "organic law" regarding the petroleum industry.

No such law had ever been adopted up to the time of the end of the Carranza régime.

But although Carranza was unwilling to force a direct issue upon this question, we soon found that the campaign had taken a different turn and that he was seeking to accomplish his aims by indirect action. This assumed many different forms.

In the first place, many regulations of an harassing nature hitherto unknown became adopted and a maze of red tape was established in respect of almost every necessary activity of a petroleum developing concern.

In the next place, governmental officers allowed the filing of claims against our properties by others who claimed to be entitled to acquire them under the terms of the Carranza decrees.

In the third place, concessions began to be granted to Carranza favorites permitting drilling upon certain lands which in fact are comprised within the titles held by the petroleum companies.

In the next place, provision was made so that no company was allowed to drill on its own land unless it had a drilling permit, and that no permit would be granted unless in the applications therefor the petroleum companies agreed to abide by the terms *of any petroleum law that might be enacted in the future*. This resulted in stopping drilling and was one of the most serious difficulties with which we had to contend, for it set back the entire plan of petroleum development in Mexico for over six months—a loss which we have never since been able to make up, and which has been directly reflected in this country in the great damage to our mercantile marine, which depended upon this supply of oil for its fuel, to many great manufacturing establishments, likewise thus dependent, and to the users of gasoline in automobiles throughout the length and breadth of the United States.

Lastly, and this was the most serious of all the steps which he took, he sent his armed forces into the oil regions. Up to that time these properties had been in the control of Pelaez, himself a petroleum land owner and supported by many other Mexicans in the same position who had risen in revolt against the confiscatory plan of which I have spoken. During the whole period of his occupation of this territory perfect order had prevailed. Our properties had not been looted, our men had not been injured or even insulted. From the moment, however, that the Carranza forces entered upon the scene a practical reign of terror was inaugurated. Attacks upon messengers carrying money with which to pay workmen in outlying districts became every day matters. Many hundreds of thousands of dollars were stolen. A continuous line of insults and assaults were committed upon our men and—worst of all—the natural ferocity and lawlessness of these people resulted in a long chain of murders of our employees. On one occasion Carranza soldiers entered a camp where four Americans were at work and, although they made no resistance, yet they were lined up and shot in cold blood. On another occasion a launch bearing payroll money was shot at from ambush and a man was killed, others being wounded. On another

occasion five men were killed under similar circumstances. In all, twenty of our employees were thus murdered and not a single Carranzista was ever brought to justice for any of these murders. So far as my information is concerned, despite reports to the contrary, no arrests were even made in respect of any of these atrocities. But, although our employees have never been allowed to carry guns or to adopt any means of defending themselves, they were not men who allowed themselves to be driven from their work even with death staring them in the face. They held on—through the war period when every drop of the Mexican oil was most urgently needed—through the following so-called peace period, which for them was worse than that of the war—up to the day when Carranza with his schemes of dictatorial power and arbitrary spoliation set at naught, himself experienced the death to which his policies had condemned so many American citizens.

The campaigns conducted against us in Mexico were paralleled by other campaigns in this country. Carranzista propagandists, acting under direction from Mexico, supplied with funds from the Carranza treasury, formed in this country organizations bearing various camouflaged titles, and succeeded in persuading certain American citizens to join with them. Some of those people are in this room tonight. I am not contesting the good faith with which these gentlemen acted, but I have no hesitation in characterizing their mentality as—to say the least—somewhat peculiar. Two particular elements were much in evidence. The first one was a singular credulity with regard to every statement made by any properly authenticated Carranzista against the probity and honor of any American; and the second was complete incredulity as to the possibility of the truth being told by any American—especially if he were engaged in the petroleum industry. This Carranzisto-American combination commenced and carried on a systematic campaign for the purpose of poisoning the mind of the American public against the oil companies and in favor of the Carranza administration and of its spoliatory

attempts. Instances of misrepresentation regarding these various points appeared almost daily in our press. For instance, if a paymaster was robbed one was quite sure to see in a few days a suggestion that he had connived at his own robbery. If one of our employees was murdered there never was lacking a dispatch from Mexico to the effect that he had been drinking and had unwarrantably attacked a faithful Carranzista soldier. So far as the effort to confiscate our properties was concerned, abundant argument was forthcoming to show that we who desired to keep that which was ours were in the wrong and that the Carranzista government was actuated by the highest principles and with ample justification in its effort to enrich itself at our expense.

Constant repetition was made of the old assertion that we were "concessionaires" when, as I have already shown, no American ever held a concession.

We were accused of being tax-dodgers, although no question of taxation was ever at any time involved and the only moneys which we refused to pay were the "rentals and royalties"—payment of which would have admitted that our own properties no longer belonged to us but to the government.

We were said to have fomented rebellion against the Carranza administration, when the fact was that the only rebellion in the oil regions was the Pelaez rebellion which was originated and continued by the Mexican land owners who themselves were affected by the spoliatory Carranza decrees.

The argument was solemnly made—and has been repeated by John Lind, former governor of the State of Minnesota, in his sworn testimony before the Fall Committee within the last two weeks, that the law of 1884 was adopted as the result of a corrupt intrigue conducted by oil men with President Diaz. In this connection I cannot refrain from specifically quoting what Mr. Lind said under oath at this hearing. I wish to read you his exact language:

The state in Mexico owned the oil until some time during Diaz's administration, when Lord Cowdray discovered oil. Then they secured an act of the Mexican Congress relinquishing the State

claim to the oil and real property. Of course, Lord Cowdray and his organization in Mexico, under Diaz, were in position to virtually dictate, and they did dictate to the Mexican government what they wanted, and they got what they wanted.

Senator Fall gave me the privilege of appearing before the committee to answer these statements of Mr. Lind's. This task was not a difficult one for the following reasons: first, that Lord Cowdray was not the discoverer of oil in Mexico, as Messrs. Doheny and Canfield were the pioneers and Lord Cowdray never entered the oil business until three years later; second, Lord Cowdray did not dictate the oil law of 1884 because it was dictated nineteen years before he had anything to do with the oil business; third, Lord Cowdray did not intrigue with President Diaz with reference to the passage of this law because Gonzales and not Diaz was president when this law was enacted; fourth, no oil operator dictated or intrigued for the adoption of this law because the oil industry did not commence in Mexico until sixteen years after the date when the law of 1884 went into force.

Another accusation of the same class was that we were refusing to obey the laws of Mexico. There is not a word of truth in this accusation except insofar as we refused to obey the so-called law (which had no legal validity) under which we were menaced with the loss of our properties.

Another common argument used by these dextrous propagandists was that before the law of 1884 the Mexican nation owned the petroleum, and that in 1917 the nation simply resumed that which she had temporarily and erroneously allowed to pass out of her control. To this attack there are two answers. In the first place, even if this claim were justified historically, there is no possible theory upon which, after Mexico had changed any previous law and had adopted the law of 1884 and after foreigners in reliance upon this law had invested hundreds of millions of dollars in the petroleum industry, the Mexican government could turn around, ignore what it itself had done and, with one stroke of the pen, destroy the rights of the petroleum operators to the properties which they had acquired and developed in reliance upon the law in question and the good faith of the Mexican

nation. But in the second place, there is no basis for this claim in legal history. In 1559 Philip II, the King of Spain, incorporated certain sub-soil substances into the "royal patrimony," thus taking them away from their private owners. But these substances were simply metalliferous substances—a clear distinction being drawn between metalliferous minerals and non-metalliferous minerals. Moreover, this absolute monarch, more enlightened than Carranza, who posed as the president of an ostensible republic, expressly provided for just compensation to any private owner from whom rights were thus acquired. In 1783 other decrees were issued by Charles III which were somewhat broader in their scope and contained ambiguous language. It will be remembered that at this time, as well as at the time of Philip II, coal and petroleum, the principal hydrocarbons found in the sub-soil, were not recognized as being of great importance. Shortly after the decree of 1783, however, the importance of coal was perceived and other decrees were issued in 1789 and 1792 providing that, irrespective of any language which had been used in previous laws or of any interpretation which had been given to them, coal, *since it was neither a metal nor a semi-metal*, should not be considered as belonging to the royal patrimony. Of course, you will immediately observe that although petroleum was not then under discussion, yet that the reason given for the exemption of coal from the operation of the decree covers precisely the situation as to petroleum.

The Republic of Mexico took over the rights which the crown of Spain had enjoyed. In the eighteen-seventies and the early eighteen-eighties questions arose as to the scope and effect of these Spanish laws and as to whether coal (the petroleum industry not then having commenced in Mexico) should be considered as belonging to the nation or not. Litigation took place upon the subject; but the entire matter was settled once and for all by the voluntary act of the Mexican nation itself which, after adopting an amendment to the constitution providing for the promulgation of mining laws by the federal government, proceeded to adopt

the law of 1884 which expressly provided, as already shown, that petroleum belonged to the owner of the surface and not to the nation at large.

Another frequent ground of attack was the accusation that the petroleum companies had no right to complain of any treatment which the Mexican government submitted them to, provided Mexican citizens themselves were treated in a like manner. This is the so-called "Carranza doctrine" for which he hoped to obtain the approval of Latin America. It is only necessary to observe that it is and always has been completely contrary to the universally accepted principles of international law, as will appear from the following quotations:

Where a government asserts that its citizens in a foreign country have not been duly protected, it is not competent for the government of that country to answer that it has not protected its own citizens. (Moore's *Digest of International Law*, vol. vi, pp. 803-804.)

Each country is bound to give the nationals of another country . . . the same redress for injury which it gives to its own citizens and neither more nor less; *provided the protection which the country gives to its own citizens conforms to the established standard of civilization.* . . . If any country's system of law and administration does not conform to that standard, although the people of that country may be content or compelled to live under it, *no other country can be compelled to accept it as furnishing a satisfactory measure of treatment of its citizens.* (Secretary Root's Address to Pan-American Conference.)

The alien, therefore, is not bound to accept the treatment accorded to nationals if such treatment is in violation of the ordinary principles of civilized justice. (Borchard, *Diplomatic Protection of Citizens Abroad*, p. 107.)

But perhaps the favorite ground upon which the oil companies were assailed was that they were seeking to bring about armed intervention by the United States of America in the affairs of its smaller neighbor to the South for the purpose of subserving their own greed and financial ambitions. On analyzing these statements it will always be found that they are based upon our efforts to educate the American people as to the wrongs to which we were being subjected in Mexico. It was easy for the Carranzista propagandists



and their American allies to raise a cry of violent and unjustifiable behavior and conspiracy against those of us who were defending ourselves from attacks; but they were never able to see anything wrong in the attacks themselves which were being committed against us.

By a parity of reasoning, if a man is attacked by a thug in the street, and if he ventures to defend himself the responsibility for the resulting damage is his and not that of the highwayman. Likewise, if a man while walking with his wife sees her attacked by a human brute, he should, according to the complacent doctrines of these individuals, keep his hands off lest he be guilty of the wrongful use of force. On the same theory the Belgians should be most seriously condemned for having had the hardihood to resist the Germans, who simply wished to occupy their country. And there would seem, likewise, to be little doubt as to the terrible responsibility of the owners and crew of the *Lusitania* for venturing to travel in waters from which they had been already solemnly warned. Unless these grossly distorted views of right and wrong have some foundation which is not apparent to the ordinary sane man, the petroleum companies believe that there can be no doubt that the responsibility for the present petroleum situation in Mexico rests upon the Carranzista faction who endeavored to steal their properties from them, and not upon the petroleum companies who have done their best to prevent the consummation of this thievery. And they have no doubt but that when the simple facts are given the wide publicity which it is our desire that they should have, the American public will entirely agree with us.

The petroleum companies neither desire nor have any reason to desire armed intervention by the United States in the affairs of Mexico except possibly as a last resort after all other means have failed and when not only the petroleum industry but the entire principles at the bottom of our foreign commerce and our national honor as well are at stake. And, furthermore, they not only do not desire intervention—which if it should come would expose their properties to enormous hazards and themselves to great pecuniary loss—

but they are firmly convinced that no intervention is or will be necessary provided that any faction in Mexico which seeks or may seek to accomplish such an injustice shall be told by the United States of America in the kindly but absolutely firm language which was used by Secretary Evarts in 1878, "Thus far shalt thou go, but no farther."

*As the second part of this talk, how does the Mexican oil situation affect the United States at large?*

In many ways.

First and foremost, because of the moral principle involved. For this country never has reached, and I believe, never will reach a point of spiritual degradation such as to result in the deliberate approval of a violation even by another nation of any one of the ten commandments.

Second, because of the necessity of Mexican oil produced by American companies to the industries and consumers of America.

Our navy is largely dependent upon fuel oil for its motive power. Over five hundred of the leading industries of New England have substituted fuel oil for coal beneath their boilers. Our merchant marine now uses sixty million barrels of fuel oil a year, and before long will need over one hundred million barrels. There are today nearly eight million internal combustion gasoline-consuming engines in the United States and before the end of this year their number will probably have increased to nearly ten millions.

The internal production of petroleum in this country is no longer adequate for the needs of our consumption, despite the enormous prices which it is bringing. During the current year the sum total of these needs will require the importation into this country of approximately eighty million barrels of Mexican oil if it can be produced.

Should the operations of our producing companies be further hindered and delayed or should they be compelled to cease entirely, through aggressions committed against them, millions of American consumers will be directly and indirectly affected, not merely so far as any question of price is concerned, but with reference to their ability to obtain petroleum and petroleum products at all.

Lastly, the matter affects this country in its entirety because, as I have suggested at the beginning of this talk, the principles upon which the Mexican oil conflict must be decided lie at the basis of our entire future foreign commerce.

It is beyond question that foreign commerce is today an essential to the industrial well-being of any nation. No country in the present stage of the world's history can live a hermit existence and still prosper; and this principle is as true of our own great land, despite its enormous markets and resources, as of any other country. But if we are to have a foreign commerce our citizens must be willing to devote their lives and their capital to its development; and this will no longer be true if it becomes known that the United States of America has adopted the policy of abandoning those of its children who are endeavoring to promote its foreign trade and of allowing them to be subjected, without protection, to any attacks and assaults which governments such as the Carranza government may desire to commit upon them. Men will not risk their health, their fortunes and their lives in discovering and developing the natural resources found within the borders of foreign lands and which are so necessary to our own national development if they know that when success has been achieved its fruits may be snatched from their hands by those who, themselves lacking in courage, initiative and ability, nevertheless always stand ready to fatten upon the achievements of others.

Our individual citizens cannot stand alone against the organized power of foreign lands. They are entitled to the support and the help of our own government in their legitimate enterprises lawfully conducted. With that support they will hold their own against the citizens of any other nation in this world. But they cannot do this by themselves. They must be protected, where they are entitled to protection. And such a policy on the part of this government is simply one of respect for its citizens and for itself as well. It involves no bullying of small nations, for there is no law of man or of God that suspends the operation of the eighth commandment merely because of the small size of the human being or an international being who may seek

to transgress it. It does not mean any "big stick" or "chip on the shoulder" policy, but on the other hand a policy which is willing to give a square deal to all square men and insists upon a square deal for ourselves in return. It is not a policy of intervention, for intervention is promoted not by the man who believes in square dealing, but by the man who advocates the approval of crooked dealing at the expense of our citizens by governments or nationals of other nations. It is not a policy of war, but is a policy of peace.

Without such a policy our foreign commerce cannot be prosperously continued. But with such a policy once established and understood by the rest of the world our men, our money, our ability and our energy will penetrate into all parts of the world where commercial success is to be achieved and where stores of natural resources are to be found. Our ships will without aggression sail the seven seas; the lives and enterprises of Americans will be respected; and our flag, instead of being considered as a rag which may be safely dragged in the dust and defiled, will be universally recognized among all civilized men as the emblem of a kindly and long suffering—but always mighty and majestic nation—AMERICA.